No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE
and UNITED STATES,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF SEVEN LAW PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

ADAM MACLEOD
THOMAS GOODE JONES
SCHOOL OF LAW
FAULKNER UNIVERSITY
Montgomery, AL 36109
(334) 386-7527

MATTHEW J. DOWD
Counsel of Record
ROBERT J. SCHEFFEL
DOWD SCHEFFEL PLLC
1717 Pennsylvania Ave. NW,
Suite 1025
Washington, D.C. 20006
(202) 559-9175
mdowd@dowdscheffel.com

Counsel for Amici Curiae

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285550

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QUESTION PRESENTED

Whether the United States Postal Service—which, as a federal agency, is immune from liability for patent infringement and has the eminent domain power to appropriate a patent license—may avoid its obligation to provide just compensation by invoking the statutory power of a "person . . . sued for infringement" to initiate a patent review proceeding before the Patent Trial and Appeal Board.

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INTEREST OF *AMICI CURIAE*[1]

Amici are law professors who teach and write on patent law, property law, and constitutional law. They are interested in preserving inherent limitations on sovereign powers, as the Framers intended, in order to minimize abuse of those powers to jeopardize property rights. They have no stake in the parties or in the outcome of this case. The names and affiliations of the *amici* members are set forth in Appendix A.

SUMMARY OF ARGUMENT

The United States Postal Service ("Postal Service") wants to be a sovereign power. It also wants not to be a sovereign power. It exercises the right of sovereignty to take patent rights by the power of eminent domain. But it wants to stray beyond the inherent limitations on sovereign power so it can contest the validity of patent rights in multiple venues and avoid the duty to pay just compensation for a license it appropriates.

At the same time, the Postal Service asserts the private rights of an accused infringer to initiate a covered business method review ("CBM") proceeding though it is immune from the duties and liabilities of an infringer. In other words, the Postal Service is trying to have it both

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1. Pursuant to Supreme Court Rule 37.6, *amici curiae* state that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from *amici curiae*, their members, and their counsel, made any monetary contribution toward the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, counsel of record for all parties consented to the filing of this brief.

ways, twice. It wants the powers of sovereignty without its disadvantages, and the rights of a private party without exposure to liability.

The United States Court of Appeals for the Federal Circuit erroneously ruled that the Postal Service can exercise both the sovereign power to initiate an administrative patent review, which is entrusted to the Patent Office, and the sovereign power to appropriate patent rights by eminent domain, which is delegated to federal agencies that may exercise patent rights. Congress separated those powers and delegated them to different agencies for important constitutional and jurisprudential reasons. Furthermore, the Federal Circuit ruled that the Postal Service can be both immune from liability for infringement and vested with the powers of an accused infringer. It did this by misstating what a "person" is within the meaning of United States law and by reading unlawfulness out the definition of "infringement," as the Petitioner explained in its Petition.

In the Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, Congress created alternatives to Article III litigation concerning patent validity—*inter partes* review ("IPR"), post-grant review ("PGR"), and covered business method proceedings ("CBM"). IPR, PGR, and CBM proceedings are intended as alternatives to *inter alia* infringement actions in which an accused infringer might challenge patent validity. This suggests that the Government, which is immune from liability for infringement, is not a "person" with power to initiate an IPR, PGR, or CBM proceeding.

In jurisprudential terms, the Postal Service claims the powers and immunities of the legislative sovereign, who possesses the inherent power of eminent domain and is immune from liability for infringement. At the same time, the Postal Service tries to claim the powers of an accused infringer and so disavow the legal disadvantages of the sovereign. It cannot have both.

In fact, the Postal Service cannot infringe and cannot be charged with infringement. The sovereign who exercises the power of eminent domain and pays just compensation has acted lawfully, not unlawfully, and therefore has not trespassed against the patent. And the Postal Service must pay compensation when it appropriates a license to practice a patented invention. Vested patents are property for Fifth Amendment purposes, and the Government must pay for licenses taken from them, just as it pays for real and personal property that it appropriates.

ARGUMENT

I. The Government's Eminent Domain Power Indicates that the Government is Not a "Person"

A. Congress Delegates Powers

Congress delegates and determines the power to initiate a patent review. In the absence of a legal wrong, no Government agency has an inherent power to initiate proceedings to contest or cancel a vested patent. *United States v. Am. Bell Tel. Co.*, 167 U.S. 224, 266–70 (1897). Congress must confer that power on the agency. *United States v. Am. Bell Tel. Co.*, 32 F. 591, 601–02 (C.C.D. Mass. 1887). Though executive officials in England

had prerogative power to challenge patent validity in Chancery by writ of *scire facias*, *Mowry v. Whitney*, 81 U.S. 434, 440 (1871), our Constitution confers the power over patents to Congress, U.S. Const., Art. I, § 8, cl. 8.

Congress also delegates and determines the power to appropriate a patent license. The power of eminent domain is an inherently legislative power. Philip Nichols, *The Law of Eminent Domain* 25–26, 63–65 (1917); 13 Richard R. Powell, *Powell on Real Property* §79F.01 (2005); William B. Stoebuck, *A General Theory of Eminent Domain*, 47 Wash. L. Rev. 553, 564–66 (1972). Agencies and agents to whom Congress delegates the power can exercise it only on the terms Congress determines and necessarily subject to the constitutional obligation to pay just compensation for any licenses appropriated. *Henry Ford & Son, Inc. v. Little Falls Fibre Co.*, 280 U.S. 369, 378–79 (1930).

Congress also determines the process due to private right holders who are interested in patents, within the boundaries that the Fifth Amendment's Due Process and Takings Clauses establish. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999). As this Court made clear in *Oil States Energy Services LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018), the process due to a patentee whose patent is alleged to be invalid is that provided in the Patent Act, as amended by the AIA. The procedures Congress established and the powers it conferred in those acts reflect a careful choice to separate the sovereign power to determine patent rights from the sovereign power to appropriate patent rights, and to separate the powers of sovereignty from the powers of private right holders, all to stay within the Constitutional requirement that those

whose property is placed in jeopardy must be afforded due process of law.

In the Patent Act and the AIA, Congress did not delegate rights arbitrarily. Rather, it assigned to different federal agencies the rights and legal disabilities that are inherent in sovereignty, separating those rights appurtenant to the legislative power of eminent domain from those appurtenant to the prerogative power to issue patents. And it secured other rights and legal disadvantages to accused infringers, which are inherent in those persons who find themselves as parties to disputes about private rights.

B. Accused Infringers are "Persons"; Eminent Domain Expropriators are Not

Insofar as Congress intended IPR, PGR, and CBM proceedings to be efficient alternatives to civil actions in which the validity of a patent might be challenged, they are alternatives to *inter alia* infringement actions. This suggests that the Government, which is immune from liability for infringement and has the power to expropriate patent rights by eminent domain, is not a "person" with power to initiate an IPR, PGR, or CBM proceeding. This does not entail that "person" for IPR and PGR purposes is no broader than one who can be liable for infringement. But it supports the presumption that "person" within the meaning of 35 U.S.C. §§ 311(a) and 321(a) and AIA § 18 does not include the Government.

Congress provided CBM review (and other administrative procedures) for swift and efficient determination of the respective rights and disadvantages

of patentees and accused infringers. AIA § 18. Congress expressly provided that no one may initiate a CBM review "unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." *Id.* § 18(a)(1)(B).

In addition to CBM review, Congress has authorized IPR and PGR proceedings. The provisions authorizing those proceedings contain references to infringement actions which suggest that IPR and PGR proceedings are intended to be alternatives to infringement actions. *See* 35 U.S.C. §§ 315(a) & (b), 325(a) & (b).

II. Just Compensation, Not Infringement Liability

A. The U.S. Postal Service Cannot Be Liable for Infringement

An infringement is a wrong. Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent "Privilege" in Historical Context*, 92 Cornell L. Rev. 953, 993 (2007); Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61, 76–85 (2009); Saurabh Vishnubhakat, *An Intentional Tort Theory of Patents*, 68 Fla. L. Rev. 571, 605–10 (2016); Dmitry Karshtedt, *Causal Responsibility and Patent Infringement*, 70 Vand. L. Rev. 565, 624–36 (2017). Specifically, infringement is a wrong for which the law provides a remedy. *United States v. Palmer*, 128 U.S. 262, 269–71 (1888) (contrasting the "tort" of patent infringement with the government's taking of a license, for which it owes just compensation); Lynda J. Oswald, *The "Strict Liability" of Direct Patent Infringement*, 19 Vand. J. Ent. & Tech. L. 993, 999–1005 (2017).

More specifically still, infringement is a kind of, or analogous to, trespass. Eric R. Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, 22 Geo. Mason L. Rev. 825, 851 (2015); Adam J. MacLeod, *Patent Infringement as Trespass*, 69 Alabama L. Rev. 723, 733–40 (2018). The legal action which provides a remedy for infringement arose out of the writ for trespass on the case. *Hogg v. Emerson*, 52 U.S. (11 How.) 587, 588 (1850); *Parkhurst v. Kinsman*, 18 F. Cas. 1207, 1207 (C.C.D. Mass. 1847). And the reasoning in an action for direct infringement proceeds like the reasoning in a common-law action for trespass to land or chattels. MacLeod, *Patent Infringement as Trespass*, *supra*, at 733–40. Any conduct that breaks the close of the patent is prima facie infringement but can be justified as not-infringement if done for one of a small number of valid, legal reasons. Those reasons include appropriation by eminent domain, such that the government's use of a patented invention is not a legal wrong, though the Fifth Amendment requires the government to pay just compensation for its act of appropriation.

The Federal Circuit majority characterized the Postal Service's appropriation as infringement. It effectively excised the term "without authority" from the definition of infringement in 35 U.S.C. § 271. This reflects a misunderstanding of what infringement is. Infringement is not any act of exercising patent rights, but rather an unlawful exercise of those rights. MacLeod, *Infringement as Trespass*, *supra*, at 751–53.

Trespass is an entry on another's property "without a lawful authority." 3 William Blackstone, *Commentaries on the Laws of England* *209 (1765). An entry or taking with legal justification is not a trespass. *Id.* at *212–15.

Like other acts of trespass upon property rights, an infringement is an entry upon the owner's property that is neither legally justified nor done with the owner's consent.

What counts as valid justification rendering an entry non-trespassory depends upon the resource at issue. For example, an unconsented entry upon land is not a trespass if done in order to serve judicial process. 3 Bl. Comm. *212. Analogously, to make, use, sell, or offer to sell a patented invention without the patentee's consent is not an infringement if done to satisfy intellectual curiosity or to perform a philosophical experiment. *Whittemore v. Cutter*, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813); *Sawin v. Guild*, 21 F. Cas. 554, 555 (C.C.D. Mass. 1813) (No. 12,391); *Madey v. Duke Univ.*, 307 F.3d 1351, 1360–63 (Fed. Cir. 2002). And some innocent users who made prior commercial uses, which would have entitled them to priority before the AIA, are not liable for infringement. 35 U.S.C. § 273(a)(2); Robert P. Merges, *A Few Kind Words for Absolute Infringement Liability in Patent Law*, 31 Berkeley Tech. L.J. 1, 38–41 (2016).

The distinction between infringement and non-wrongful taking is not merely semantic. One could define infringement as all actions which break the close of the patents, and the distinction would simply shift from the justification stage to the remedial stage of the analysis. *Cf.* Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, *supra*, at 841–46, 852–58. Interference with exclusive use raises a presumption that the patentee is entitled to relief, and one would need to distinguish for remedial purposes between wrongful infringements and non-culpable infringements. *Id.* at 862–63; MacLeod, *Patent Infringement as Trespass*, *supra*,

at 776–80. When AIA § 18 speaks of "infringement," it means the legal wrong for which law provides a remedy, the action descended from the writ of trespass on the case, which in contemporary law is covered by 35 U.S.C. § 271. This is the import of § 18's terms "sued for infringement" and "charged with infringement," which refer to circumstances in which the person accused of infringement is exposed to potential liability.

Eminent domain also is a kind of authority which justifies a taking (for Patent Act and due process purposes, though, the Government owes just compensation for takings purposes). Therefore, taking a patent license by eminent domain is contrasted with an act of trespass or infringement. *Compare Fla. Prepaid*, 527 U.S. at 641–43 & n.7, 647–48 & n.11; *Providence, Fall River & Newport Steamboat Co. v. City of Fall River*, 67 N.E. 647, 648-49 (Mass. 1903); *see also* Nichols, *Law of Eminent Domain*, at 308, 311, 591; Newman, *Patent Infringement as Nuisance*, *supra*, at 85–86. If trespass and lawful appropriation were not distinct and separate categories, it would not be possible to know the boundaries of an official's power to use or occupy another's property, or to remedy or enjoin acts which transgress those boundaries. *See, e.g., Utah Power & Light Co. v. United States*, 243 U.S. 389, 404–05 (1917); *Pinney v. Borough of Winsted*, 66 A. 337, 340 (Conn. 1907). An official who acts within the boundaries of the power of eminent domain is not acting contrary to the patent owner's right, as long as the government pays just compensation. It is not legally wrong for a government agency to do what it has a legal right to do.

The Federal Circuit seems to have been misled by dicta in its own prior opinions and those of the Court

of Claims referring to government exercise of patent rights as "infringement." *See, e.g., Decca Ltd. v. United States*, 640 F.2d 1146, 1166–67 (Ct. Cl. 1980). But this is to elevate word choice over substance. As the Court of Claims explained in one of those precedents, "the Government is never 'guilty' of 'direct infringement' of a patent insofar as 'direct infringement' connotes tortious or wrongful conduct. The Government has a right to take patent licenses and cannot be enjoined from doing this." *Id.* at 1166.

The Federal Circuit majority's expansion of "infringement" to include the Postal Service's lawful taking of a license by eminent domain also seems to rest in a conflation of the phrase "without ... lawful right to use or manufacture" in 28 U.S.C. § 1498 with the phrase "without authority" in 35 U.S.C. § 271(a). But the right to use or manufacture—a pre-political liberty—is a different right than the authority—the legal power belonging to a political sovereign and its agents—to appropriate a license by eminent domain.

As this Court made clear in *American Bell Telephone*, 167 U.S. at 238, *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 442 (1908), and elsewhere, the liberty to use and manufacture is a pre-political right. The patent adds to that liberty the security of exclusivity, after which the liberty to use must be acquired from the patentee by acquisition or license. The term "lawful right to use or manufacture" in 28 U.S.C. § 1498 therefore refers to the liberty which the Postal Service acquired from the patentee, which the Postal Service did not possess prior to its exercise of eminent domain.

The term "authority" in 35 U.S.C. § 271 has a different meaning. It refers to a legal power or other source of authorization which can justify a non-owner in acquiring and exercising patent rights, either a liberty to use or the exclusive right conferred under the Patent Act. The Postal Service is immune from lawsuits and liability for infringement insofar as, and because, it has the power—the authority—of eminent domain. Though a sovereign is capable of acting with legal agency and must be held legally responsible when it does so, the sovereign's legal responsibility differs radically from that of private duty bearers; it may appropriate but must pay compensation.

The Federal Circuit's misunderstanding allows the Government to retain its cake and eat it too. The Federal Circuit majority seems to think that the exercise of eminent domain power to take a license is both lawful (for purposes of 35 U.S.C. § 271) and unlawful (for AIA § 18 purposes). Either that, or it fails to perceive that infringement is an inherently unlawful act—a legal wrong. But if infringement were not a legal wrong, the Federal Circuit would be hard pressed to explain why the Patent Act sets out meaningful remedies for infringement, and strong remedies for willful infringement. 35 U.S.C. §§ 283, 284.

The Government cannot be enjoined from infringement—or subject to other infringement remedies—not only because immunity is inherent in sovereignty but also because the eminent domain power is part of Congress's legislative power. *Kohl v. United States*, 91 U.S. 367, 371–72 (1875). Congress has delegated to the Postal Service and other agencies the "authority," within the meaning of 35 U.S.C. § 271, to take a compelled

license, that is, to acquire the "rights" identified in 28 U.S.C. § 1498. Therefore, the practice of an invention by a U.S. government agency is not infringement for purposes of AIA § 18. Though it did not *ab initio* have a lawful right to use the patented invention, the Postal Service acquired a license by its delegated power of eminent domain.

B. The U.S. Postal Service Owes Just Compensation

Another inherent limitation on the power of eminent domain is the Government's duty to pay just compensation. Richard Epstein, *Takings: Private Property and the Power of Eminent Domain* 331–50 (1985); James W. Ely, Jr., *"That Due Satisfaction May Be Made." The Fifth Amendment and the Origins of the Compensation Principle*, 36 Am. J. Legal Hist. 1, 2–4 (1992). When it appropriates rights secured by a patent, the sovereign must pay just compensation as it would for any other property. *McKeever v. United States*, 14 Ct. Cl. 396, 421 (1878); *James v. Campbell*, 104 U.S. 356, 357–58 (1881). The Postal Service seeks to avoid its duty to pay compensation for the license it appropriated by challenging validity of the patent in a CBM proceeding. Congress foreclosed that route.

Like land and movable goods, patents are property for Fifth Amendment purposes. *Horne v. Dep't of Agriculture*, 135 S. Ct. 2419, 2427 (2015); Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U.L. Rev. 689, 700–11 (2007). This Court has expressed "no doubt" that "letters-patent for a new invention or discovery" confer property which cannot thereafter be appropriated without payment of just compensation, just

like "land which has been patented to a private purchaser." *James v. Campbell*, 104 U.S. at 357–58.

Specifying the general compensation requirement which the Fifth Amendment declares, Congress made provision for patentees to obtain just compensation in 28 U.S.C. § 1498. This Court characterized proceedings under the predecessor provision to § 1498 as actions sounding in eminent domain. *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305–07 (1912). The availability of a proceeding for just compensation is what prevents the sovereign's exercise of patent rights from constituting an infringement, *id.* at 304–05,[2] or in the colorful language of the original provision's advocates in Congress, "piracy" of the patentee's property rights, Mossoff, *Patents as Constitutional Private Property*, *supra*, at 714. In short, the Postal Service must pay for what it takes.

2. As the *Crozier* Court observed, Congress employed the language of private property in justifying the initial provision in the 1910 Act, explaining its objective "to provide additional protection for owners of patents." 224 U.S. at 304.

CONCLUSION

The power to initiate a proceeding before the Board, which implicates patent rights and liberties to use innovations, is a significant right. Because the sovereign is immune from lawsuits and liability for infringement, it lacks the power that Congress has conferred upon infringers to contest the validity of a patent in a covered business method proceeding. The Federal Circuit wrongly conferred upon the Postal Service both the powers of a sovereign and the powers of a private right-holder who is charged with infringement, even as it excused the Postal Service from the legal disadvantages of both of those offices. The Court should reverse the Federal Circuit's decision below.

Respectfully submitted,

ADAM MACLEOD
THOMAS GOODE JONES
SCHOOL OF LAW
FAULKNER UNIVERSITY
Montgomery, AL 36109
(334) 386-7527

MATTHEW J. DOWD
Counsel of Record
ROBERT J. SCHEFFEL
DOWD SCHEFFEL PLLC
1717 Pennsylvania Ave. NW,
Suite 1025
Washington, D.C. 20006
(202) 559-9175
mdowd@dowdscheffel.com

Counsel for Amici Curiae

December 17, 2018

APPENDIX

APPENDIX — LIST OF *AMICI**

James W. Ely, Jr
Milton R. Underwood Professor of Law, Emeritus
Vanderbilt University Law School

Dmitry Karshtedt
Associate Professor of Law
George Washington University School of Law

Adam MacLeod
Associate Professor of Law
Thomas Goode Jones School of Law
Faulkner University

Adam Mossoff
Professor of Law
Antonin Scalia Law School
George Mason University

Lateef Mtima
Professor of Law
Howard University School of Law

Kristen Osenga
Professor of Law
University of Richmond School of Law

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* Institutions of all signatories are for identification purposes only. The undersigned do not purport to speak for their institutions, and the views of *amici* should not be attributed to these institutions.

Appendix

Saurabh Vishnubhakat
Associate Professor of Law
Texas A&M University School of Law